g. Supplemental reimbursement for children with tracheostomies requiring daily care. As of January 1, 1998, qualifying residents may receive a supplement to the per diem rate described in (IV)(B)(3)(e) above.

(i) To qualify for supplemental reimbursement, a resident must be less than 22 years of age; require daily cleansing, dressing, and suctioning of a tracheostomy; and be unable to do self care. The daily care of the tracheostomy must be prescribed by a licensed physician.

(ii) The supplemental reimbursement for children receiving daily tracheostomy care is 60% of the per diem ventilator rate supplement (as described in (IV)(B)(3)(f)(ii) above.)

h. Nursing facilities caring for children with qualifying conditions as described in (IV)(B)(3)(f) and (g) above may receive only one of the supplemental reimbursements. Nursing facilities may receive the highest level of supplemental reimbursement for which the child qualifies.

STATE TX DATE REC'D 3-23-98 DATE APPV'D 6-5-98 DATE EFF 1-1-98 HCFA 179 98-04	A

SUPERSEDES: NONE - NEW PAGE

Approval Date 6-5-98 Plan # 98-04

Effective Date 1-1-98 Supersedes Plan # none

D. Experimental Reimbursement Class. TDHS may define experimental reimbursement classes to be used in research and demonstration projects on new reimbursement methods. Reimbursement for an experimental class is not implemented, however, unless the Health Care Financing Administration (HCFA) approves the experimental methodology.

STATE Texas
DATE REC'D 2-24-94
DATE APPV'D 5-20-94
DATE EFF 1-1-94
HCFA ID 94-02
A

Supersedes: TX 90-14

G. (a) Costs of Compliance with Omnibus Budget Reconciliation Act of 1987 (OBRA 1987). All the costs of compliance with OBRA 1987 are being reported on the cost reports used to set the annual rates. It is no longer necessary to provide an add-on to meet these costs. Hence, the average patient care rate component as described in section IV(B)(3) will not require enhancement.

(b) Compliance with Section 4801 of the Omnibus Budget Reconciliation Act of 1990 (OBRA 1990). As explained in G.(a) above, the average patient care rate component will not require enhancement to cover costs of compliance with OBRA 1987. The actual costs of OBRA 1987 appear in provider cost reports used to develop rates.

H. Effective October 1, 1990, any reference in any section of the state plan material to Intermediate Care Facility/Skilled Nursing Facility (ICF/SNF) should be read as Nursing Facility (NF).

STATE Texas
DATE RECD 3/29/99
DATE APPVD 6/16/99
DATE EFF 10/1/99
HCFA ID 99-01

A

SUPERSEDES: TN - 98-05

V. Allowable and unallowable costs. Allowable and unallowable costs are defined to identify expenses which are reasonable and necessary to provide client contracted care and are consistent with federal and state laws and regulations.

(1) Allowable costs. Allowable costs are expenses, both direct and indirect, that are reasonable and necessary in the normal conduct of operations to provide contracted client services meeting all pertinent state and federal requirements. Only allowable costs are included in the reimbursement determination process.

(2) Unallowable costs. Unallowable costs are expenses that are not reasonable or necessary. Providers must not report as an allowable cost on a cost report a cost which has been determined to be unallowable.

(3) Detailed definitions. Detailed definitions of allowable and unallowable costs are prescribed in Title 40 of the Texas Administrative Code, Chapter 20, relating to Cost Determination Process.

(4) Changes to allowable and unallowable costs. Whenever a change is made to the definitions of allowable and unallowable costs as described in subsection (3) above which is anticipated to cause a change in the rate payable to a provider, TDHS will submit a state plan amendment.

STATE Texas
10-3-96
7-29-97
9-1-96
96-18

A

Texas
10-3-97
7-29-96
9-1-96
96-18

SUPERSEDES: 89-09

SUPERSEDED BY 96-18

There are no pages 6-9

dac
8/8/97

EPSDT DIAGNOSTIC AND TREATMENT SERVICES NOT OTHERWISE COVERED UNDER THE STATE PLAN

Payment for authorized medically necessary services required to diagnose and treat a condition found on EPSDT medical screening will be based on existing Medicare and Medicaid reimbursement methodologies.

STATE Texas
DATE REC'D 7-2-90
DATE APP'VD 12-4-90
DATE EFF 4-1-90
HCFA 179 90-22
A
Supersedes - None - New Page

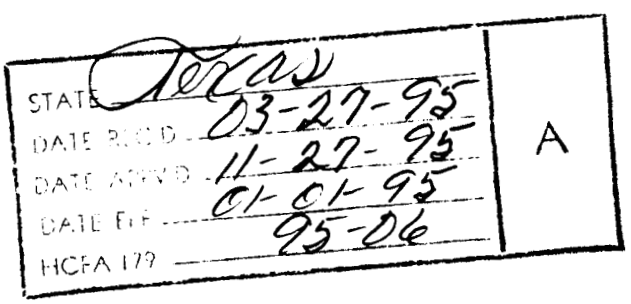
Computer Hardware and Software Costs Necessarily Incurred to Automate the MDS 2.0 Resident Assessment Form.

Pursuant to the settlement agreement and court order in Texas Health Care Association versus Terry Trimble, Civil Action #A-96-CA-774-SS, the department reimburses facilities via a voucher system for costs necessarily incurred to automate the MDS 2.0 resident assessment form. This payment is not part of the facility reimbursement rate and is a separate payment amount reimbursed through the voucher. The department will reimburse facilities up to $4,000 per facility. Reimbursement will be adjusted for percent Medicaid days of service.

STATE Texas	A
DATE REC'D 03-31-97	
DATE APP'D 06-04-97	
DATE EFF 02-01-97	
HCFA ID 97-02	

SUPERSEDES: TN. 95-25

RESERVED


STATE Texas
DATE RCVD 03-27-95
DATE APPVD 11-27-95
DATE EFF 01-01-95
HCFA 179 95-06
A

I. General

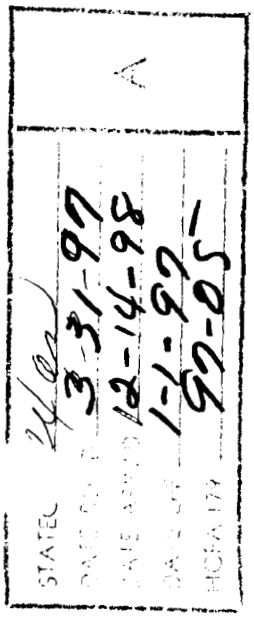
The Texas Department of Mental Health and Mental Retardation (TDMHMR) reimburses Texas Medicaid providers for Intermediate Care Facilities for the Mentally Retarded (ICF/MR) services provided to Medicaid recipients. At least annually, the Texas Mental Health and Mental Retardation Board determines prospective uniform reimbursement rates for non-state operated facilities according to the size of facility. At least annually, the Texas Mental Health and Mental Retardation Board determines facility specific reimbursement rates for state-operated facilities.

II. Definitions

For the purposes of ICF/MR reimbursement, the following words and terms shall have the following meanings, unless the context clearly indicates otherwise:

A. **Cost Reports.** Any cost data or financial information submitted by a provider to TDMHMR. Cost reports will include all types of cost data requested by TDMHMR including the following.

1. **Direct Services Cost Report**. Annual report required by TDMHMR in which cost data related to direct services is submitted by all ICF\MR providers.
2. **Full Cost Report (state-operated facilities).** Cost data required by TDMHMR that includes all costs of providing services including direct care costs, administration, facility costs, and all other operating costs relevant to the provision of services.
3. **Special Cost Surveys**. Any special cost surveys conducted by the Department.
4. **Comprehensive Cost Report (non-state operated facilities)**. All information of the provider including but not limited to those cost components listed in section V.B.8.a-e of Attachment 4.19-D, ICF/MR.
5. **Representative. Sample.** For non-state-operated providers, a combination of business factors and statistical considerations will be used to determine that the sample fairly reflects the characteristics of the overall population of non-state operated providers. The appropriate sample size will be statistically determined using the estimated population proportion using the following factors:
   a. Business factors, such as ensuring that the



SUPERSEDES: TN - 96-11

sample size has appropriate representation of facility/program size, ownership type, location, provider size and client level of need/acuity, will be in the sample design in order to properly assess the individual rate setting parameters used in the model-based reimbursement rates.

b. The business factors will be balanced against the statistical analysis of the number of individuals served and the amount of program dollars expended in order to provide for a sample size that is cost effective.

B. Acronyms

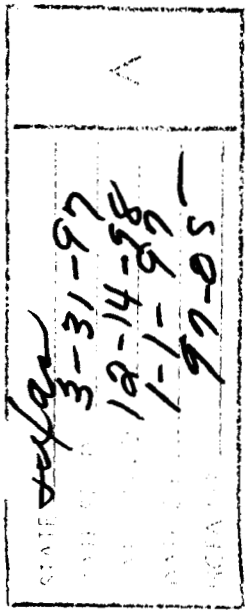
1. **GAAP** - Generally Accepted Accounting Principles.
2. **GAAS** - Generally Accepted Auditing Standards.
3. **HCFA** - Health Care Financing Administration.
4. **OMB A-87**- Federal Circular from the Office of Management and Budget A-87.
5. **TDMHMR** - The Texas Department of Mental Health and Mental Retardation or its designee.

C. Other terms

1. **Allowable costs.** Allowable costs are expenses, both
2. direct and indirect, that are reasonable and necessary, as defined in paragraphs a. and b., of this subsection, and which are required in the normal conduct of operations to provide ICF/MR services meeting all pertinent state and federal requirements.

a. **Reasonable** refers to the amount expended. The test of reasonableness includes the expectation that the provider seeks to minimize costs and that the amount expended does not exceed what a prudent and cost-conscious buyer pays for a given item or service.

b. **Necessary** refers to the relationship of the cost, direct or indirect, incurred by a provider in the provision of ICF/MR services. Necessary costs are direct and indirect costs appropriate in developing and maintaining the required standard of operation for providing consumer care in accordance with the provider agreement, and with state and federal regulations.



SUPERSEDES: TN - 85-2(A-1)